

ANNUAL REPORT 2003-2004

SUGAR TERMINALS LIMITED

ABN 17 084 059 601



What's inside

Year at a glance.....	1
Chairman's Overview	3
General Manager's Report.....	4
Organisation – Corporate Governance.....	5
Directors' Report	6
Financial Report.....	12
Information for Shareholders	37

Year at a glance

	2004	2003
• Revenue (\$'000)	39,982	33,254
• Net Profit (\$'000) (after tax)	16,813	14,390
• Earnings per share (after tax)	4.67 cents	3.99 cents
• Distribution to shareholders ¹ (\$'000)	7,200	14,400
• Return of capital (\$'000)	-	39,600
• Total assets (\$'000)	405,258	395,158
• Net assets (\$'000)	347,113	392,064
• Net tangible asset backing per share	\$0.96	\$0.96

¹ The STL dividend was fully franked in both years

Company Profile

Sugar Terminals Limited (STL) is a public company owned by shareholders in the raw sugar industry. It owns the bulk sugar terminal buildings, specified plant and equipment at each terminal and leases the bulk sugar terminal land at Cairns, Mourilyan, Lucinda, Townsville, Mackay, Bundaberg and Brisbane. Queensland Sugar Limited (QSL) is charged commercial rent for the use of these facilities.

STL is subject to Federal income tax at the corporate rate of 30 percent. The Board has a policy to pay to shareholders annually, from the net profit for the period, as high a dividend as possible, having regard to the Company's cash position.



Chairman's Overview

It is with pleasure that I bring you my report on the Company's activities for the year ended 30 June 2004.

The financial result for the year was a net profit after tax of \$16.81 million compared with a net profit after tax for the previous year of \$14.39 million. The increase in profit is principally due to rental being received on the new Townsville storage facility from 1 December 2003.

The Company's policy is to pay from the net profit for the period, as high a dividend as possible, having regard to the Company's cash position.

In accordance with this policy, the directors have resolved to pay a dividend of 2 cents per share (a total of \$7.2 million) out of the profit for the year. We anticipate this dividend will be paid on 15 December 2004 to shareholders listed on the share register on 3 December 2004. The dividend will be fully franked at 30% which amounts to .86 cent per share.

The fully franked dividend represents a payment of 2.86 cents per share, being:

Dividend	2.0
Cash equivalent of franking credit	.86
	<u>2.86 cents</u>

In last years Chairman's Overview I advised that the new storage facility at the Port of Townsville was nearing completion. The Company envisaged its completion in the third quarter of 2003. Although sugar has been received into the shed since September 2003 and has been shipped from the shed since early 2004, the building is incomplete. There are a number of defects and outstanding contractual commitments, including warranties, guarantees and operating and maintenance manuals.

QSL has managed the construction project as agent for the Company. A notice of dispute has been issued by the building contractor against the Company claiming \$18.4 million. While QSL is leading the management of the dispute as STL's agent, STL's general manager, Richard Farquhar is involved and plays a major role on the strategy committee. Acting on advice from QSL and its advisors, the Company has denied the claim, and to date, the dispute has not been resolved. Although court proceedings have not yet been issued, the Company expects such action will be taken by the contractor to resolve the dispute.

The Company needs to ensure it is in a position to vigorously defend any proceedings instituted and to comply with any judgment or negotiated settlement of the dispute. For this reason the directors deemed it necessary and prudent to set the dividend at 2 cents per share.

In February 2004 the exempt market for "G" class shares closed and "G" class shares are now traded on the Newcastle Stock Exchange. Listing on the Newcastle Stock Exchange requires changes to the constitution of the Company to comply with the listing rules. In addition, the proposed abolition of cane production areas from 1 January 2005 necessitates constitutional changes. Changes to the constitution to simplify procedures relating to the active status of growers and millers are also being recommended to shareholders. The constitutional changes will be considered at the Company's Annual General Meeting.

We are still in negotiation with the Cairns Port Authority on the terms of a new 100-year rolling lease.

We continue to have a very good working relationship with Queensland Sugar Limited, manager of the terminal operations.

I would like to record my appreciation of the dedicated service of Mr Alfio Musumeci, who retires from the Board after 21/2 years service. Mr Musumeci retires as a director at the close of the Annual General Meeting in October.



Michael Brown
Chairman

General Manager's Report

The commercial operations of the company which commenced in August 2000 were unchanged in the year under review.

Lease Arrangements with Port Authorities

With the adoption of the recommendations of the Bulk Sugar Terminal Taskforce in March 1998, STL began negotiating with the port authorities for new long-term leases to replace the partially expired 99-year leases. The negotiation parameters were established by the "Key Conditions of Lease" and "Principles of Transfer" approved by Government.

New 100 year-leases, with options to renew for a further 100 years, have been finalised with the Port of Brisbane Corporation, Bundaberg Port Authority, Mackay Port Authority, Townsville Port Authority and with Ports Corporation of Queensland for Lucinda and Mourilyan. Negotiations with the Cairns Port Authority are continuing.

Sub-lease with Queensland Sugar Limited (QSL)

The working relationship between STL and QSL continues to be constructive. In August 2000, STL granted QSL a formal sub-lease over the terminals at the seven ports. The rental arrangements then negotiated reflected the serious economic conditions facing the industry stakeholders at the time, as well as the interests of shareholders.

Regular meetings are held between senior staff of STL and QSL to discuss major issues related to planned maintenance, insurances and capital improvements. The General Manager inspects the receival, storage and loading facilities at each terminal on a regular basis.

Operating Revenue

Total revenue in the year under review was \$39.98 million, an improvement on 2003 when total revenue was \$33.25 million. The major source of income was from rental revenue of \$39.66 million (\$32.44 million in 2003). The principal reason for the increase in rental revenue was the receipt of rent on the new Townsville shed from 1 December 2003. Interest on funds invested was \$0.31 million (\$0.81 million in 2003).

Operating Results

The net profit after income tax for the year was \$16.81 million (\$14.39 million in 2003) representing 4.67 cents per share (3.99 cents in 2003).

Capital Expenditure

Following upon adoption of recommendations from QSL, STL undertook capital expenditure at the sugar terminals during the year of \$0.92 million. In addition \$70.3 million was capitalised during the year in respect of the new storage facility at Townsville.

Capital improvements at the terminals in 2005 to be funded by STL are expected to cost \$0.3 million.

Financial Position

The company is in a sound financial position. A bank loan amounting to \$45 million which has been used to partly finance the new Townsville shed has been structured so that it can be repaid from budgeted cash surpluses during the initial period of the sublease with QSL, ie by 30 June 2008.

Inactive Growers

During the year directors sold 2,409,293 shares owned by inactive grower shareholders, by competitive tender. 1,753,039 shares were sold on 24 November 2003 at 40 cents per share, and 656,254 shares were sold on 19 February 2004 at 36 cents per share.

Newcastle Stock Exchange

The exempt market for 'G' class shares closed on 25 February 2004 and the shares were listed on the Newcastle Stock Exchange on 26 February 2004. Since that date there have been 262 transactions totalling 4.6 million shares traded on the market.



Richard Farquhar
General Manager

Organisation – Corporate Governance

Governance

The Board of Directors is responsible for the overall direction of STL's business and affairs on behalf of the company. In running STL for the benefit of all shareholders, the Board and management act within the framework of requirements, expectations and interests of customers and communities.

Communication with Shareholders

Apart from the *Annual Report*, STL kept shareholders informed with an *Interim Report to Shareholders* released on 23 March 2004. It covered

- financial results
- Townsville shed
- inactive grower shareholders
- Newcastle Stock Exchange
- proposed constitution changes
- directors and management

The Interim Report and other communications with shareholders are posted on the STL web site.

The Annual General Meeting provides a forum for questions as well as an opportunity for contact with Directors and management.

First Directors

The First Directors were:

- Geoffrey Edmund Mitchell;
- Harold Rosario Bonanno;
- Warren Alfred Martin;
- John Anthony Desmarchelier; and
- Michael Douglas Brown.

Mr Brown was elected Chairman on 1 August 2000.

The Board

The Board of Directors as at 30 June 2004 comprised:

- Michael D Brown (Chairman)
- Mark R Day
- Stephen Guazzo
- John J Grasso
- Alfio J Musumeci

Board Committees

Major policy decisions are matter for the Board as a whole. The Audit and Risk Committee is the Board's only standing committee. It comprises a Grower Director (Mr Guazzo) and a Miller Director (Mr Musumeci). The functions of the committee are to keep the following matters under review and report to the STL Board as appropriate:

- quality of external audits
- accounting procedures and reporting
- adequacy of accounting controls
- financial investment planning and reporting
- compliance with legislation
- maintenance of records and minutes
- identification of risk
- insurance of STL assets
- maintenance of STL assets.

Board Leadership and Support

The Chairman carries out a leadership role in the conduct of the Board and its relations with shareholders and other stakeholders. He maintains a close relationship with the General Manager and acts as a mentor as required. He chairs Board meetings, as well as general meetings of shareholders, and concerns himself with the good order and effectiveness of the Board.

The Company Secretary supports the Board in carrying out its role, attending meeting and recording minutes of the proceedings. The Secretary is appointed by the Board.

Board Meetings

The Board held 6 meetings during the 12-month period to 30 June 2004. It plans to hold 5 regular meetings in the current year. The agenda for the meetings is prepared in conjunction with the Chairman by the General Manager. Submissions and papers on Board items are circulated in advance. The Board conducts periodic reviews of strategic issues, considers regular business and monthly financial reports, and approves major transactions. Directors have access to independent professional advice.

SUGAR TERMINALS LIMITED

Directors' report

Your directors present their report on the entity of Sugar Terminals Limited for the year ended 30 June 2004.

Directors

The following persons were directors of Sugar Terminals Limited during the whole of the financial year and up to the date of this report:

Mr Michael D Brown
Mr Mark R Day
Mr Stephen Guazzo
Mr Alfio J Musumeci

Mr John Grasso was elected a director on 24 October 2003 and continues in office at the date of this report.

Mr Warren A Martin was a director from the beginning of the financial year until his resignation on 24 October 2003.

Principal activities

During the year the principal continuing activities of the entity consisted of:

- (a) Ownership of bulk sugar terminal assets;
- (b) Protection of the bulk sugar terminals;
- (c) Managing, development and financing of bulk sugar terminals;
- (d) Negotiating long term leases with Port Authorities; and
- (e) Managing the sublease of the terminals to Queensland Sugar Ltd.

Comparative financial information

	2004 \$'000	2003 \$'000	2002 \$'000	2001 \$'000 (10 months)
Financial performance				
Revenue from ordinary activities	39,982	33,254	31,976	25,964
Net profit attributable to members of STL	16,813	14,390	14,134	9,708
Financial position				
Current assets	12,072	6,341	53,086	38,689
Non-current assets	393,186	385,723	342,072	347,519
Current liabilities	(20,238)	(7,368)	(25,248)	(15,904)
Non-current liabilities	(37,907)	(39,996)	-	-
Net assets	347,113	344,700	369,910	370,304

Dividends – Sugar Terminals Limited

Dividends paid to members during the financial year were as follows:

	2004 \$'000	2003 \$'000
Final ordinary dividend for the year ended 30 June 2003 of 4 cents per share, fully franked, paid on 18 December 2003.	14,400	-
	14,400	-

In addition to the above dividends, since the end of the financial year the directors have determined that a final ordinary dividend of \$7.2 million (two cents per fully paid share), fully franked based on tax paid at 30%, will be paid on 15 December 2004 out of retained profits at 30 June 2004 to shareholders whose names are entered on the Register on 3 December 2004.

Review of operations

Townsville

During the year sugar was received into the new Townsville storage facility prior to the completion of the facility. The asset was capitalized effective on 1 December 2003 based on an estimate of the cost to complete it, and QSL commenced to pay rent to the company from that date. Rent received during the year amounted to \$3.93 million.

Other

There were no other material changes to the company's operations during the year.

Earnings per share

	2004 Cents	2003 Cents
Basic earnings per share	4.67	3.99

Significant changes in the state of affairs

Significant changes in the state of affairs of the entity during the financial year were as follows:

- (a) In the opinion of the Directors, there were no significant changes in the state of affairs of the Company during the financial year under review.

Matters subsequent to the end of the financial year

No matters or circumstance has arisen since 30 June 2004 that has significantly affected, or may significantly affect:

- (a) the entity's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the entity's state of affairs in future financial years.

Likely developments and expected results of operations

The likely developments in the operations of the Company and the expected results of those operations in future financial years are as follows:

The construction of the new storage facility at Townsville, which is being managed by Queensland Sugar Ltd (QSL) as agent for the entity, is incomplete and a Notice of Dispute claiming \$18.4m has been received from the building contractor. This claim is denied by the entity and, to date, the dispute has not been resolved. QSL is managing the dispute and, at this time, it is not practicable to estimate the timing or the quantum, if any, of any future liability.

Environmental regulation

Queensland Sugar Limited, manager of the Bulk Sugar Terminal Assets under a sub-lease arrangement with the Company, takes responsibility for the environmental impact of the Terminals and holds the environmental licences under the Environmental Protection Act 1994.

SUGAR TERMINALS LIMITED

Information on directors

Director	Experience	Special responsibilities
Michael D Brown	Fellow of the Institute of Chartered Accountants. Director: Energex Retail Pty Ltd (Chairman).	Chairman (Non-Executive)
Mark R Day	Bachelor of Applied Science (Mathematics). General Manager Burdekin Mills, CSR Limited. Director: Australian Molasses Trading, CSR Sugar Kalamia Pty Ltd, CSR Pioneer Sugar Pty Ltd, CSR Sugar Invicta Pty Ltd, The Haughton Sugar Company Pty Ltd, Pioneer Sugar Mills Pty Ltd and Glendale Ltd.	Director (Non-Executive)
John J Grasso	Management of family cane farm and commercial leasing business. Director: Austcane Ltd.	Director (Non-Executive)
Stephen Guazzo	Third generation cane grower. Deputy Chairman Herbert Canegrowers Executive. Director of Queensland Canegrowers Limited. Director Herbert Canegrowers Co-op Society.	Director (Non-Executive)
Alfio J Musumeci	Bachelor of Science (Hons), Bachelor of Commerce. General Manager, Proserpine Co-Operative Sugar Milling Association Limited. Director: Australian Sugar Milling Council Pty Ltd, Mackay Whitsunday Regional Economic Development Corporation and Molasses Central Queensland Joint Venture (Chairman).	Director (Non-Executive)

None of the directors has a service contract with the Company.

Company secretary

The Company Secretary and General Manager is Mr Richard Farquhar B.Com CA FCIS.

Directors' Interests in Shares and Options

The particulars of directors' interests in shares and options of Sugar Terminals Limited are as follows:

Stephen Guazzo	216,020 'G' class shares
John J Grasso	447,490 'G' class shares

Particulars of contracts of significance

WA Martin is a director of Queensland Sugar Limited. During the reporting period Queensland Sugar Limited operated under the terms of a sub-lease from Sugar Terminals Limited so that Queensland Sugar Limited can utilise the sugar terminals for storage and loading of products and for such other purposes to which Sugar Terminals Limited consents and which are permitted under the terminal lease arrangement which Sugar Terminals Limited has in respect to each of the Port Authorities. In return Sugar Terminals Limited receives rent. The sub-lease is based on normal commercial terms and conditions.

Mr AJ Musumeci is also a director of Australian Sugar Milling Council Pty Limited. Australian Sugar Milling Council Pty Limited provides administrative, secretarial and management services to Sugar Terminals Limited. Under the terms of the arrangement provision of these services has been extended to 30 June 2005. The services are provided on normal commercial terms and conditions.

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2004, and the numbers of meetings attended by each director were:-

	DIRECTORS' MEETINGS		COMMITTEE MEETINGS AUDIT & RISK COMMITTEE	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Michael D Brown	6	6		
Warren A Martin	2	2	1	0
Alfio J Musumeci	6	6	3	3
Mark R Day	6	6		
Stephen Guazzo	6	6	2	2
John J Grasso	4	4		

Remuneration Report

Principles used to determine the nature and amount of remuneration

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency
- capital management.

In consultation with external remuneration consultants, the company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board.

Directors' fees

The current base remuneration was last reviewed with effect from 1 July 2003.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum aggregate amount currently stands at \$200,000.

Executive pay

The executive pay and reward framework has two components:

- base pay and benefits
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Base pay

The executive is offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay is reviewed annually to ensure the executive's pay is competitive with the market.

There are no guaranteed base pay increases fixed in the executive's contract.

Benefits

The executive receives a car parking benefit.

SUGAR TERMINALS LIMITED

Details of remuneration

Details of the remuneration of each director of Sugar Terminals Holdings Limited and the only executive, are set out in the following tables.

Directors of Sugar Terminals Ltd

	Primary	Post-Employment	Equity	
Name	Cash fees \$	Superannuation \$	\$	Total \$
MD Brown	55,000	4,950	-	59,950
WA Martin	6,304	567	-	6,871
AJ Musumeci	20,000	-	-	20,000
MR Day	20,000	-	-	20,000
S Guazzo	20,000	1,800	-	21,800
JJ Grasso	13,696	1,233	-	14,929
Total	135,000	8,550		143,550

Executive of Sugar Terminals Ltd

	Primary	Post-Employment	Equity	
Name	Cash salary \$	Superannuation \$	\$	Total \$
RB Farquhar	70,792	6,371	-	77,163

Service agreements

Directors are elected for a term of three years and do not have service agreements.

Corporate Governance

The Board of Directors is responsible for the overall direction of STL business and affairs on behalf of the company. In running STL for the benefit of all shareholders, the Board and management act within the framework of requirements, expectations and interests of customers and communities.

Major policy decisions are a matter for the Board as a whole. The Audit and Risk Committee is the Board's only standing committee. It comprises a Grower Director (Mr Guazzo) and a Miller Director (Mr Musumeci). The functions of the committee are to keep the following matters under review and report to the STL Board as appropriate.

- quality of external audits
- accounting procedures and reporting
- adequacy of accounting controls
- financial investment planning and reporting
- compliance with legislation
- maintenance of records and minutes
- identification of risk
- insurance of STL assets
- maintenance of STL assets

Top 10 shareholders

Lists of the top 10 'G' class shareholders and the top 10 'M' class shareholders as at the date of this report are set out below.

'G' class shareholders

<u>Shareholder</u>	<u>Number of Shares</u>
Vixbridge Pty Ltd	12,685,776
Bundaberg Sugar Ltd	3,969,485
CSR Limited	599,708
James Thomas Barns	504,861
The Maryborough Sugar Factory Ltd	460,491
John Joseph Grasso	447,490
Cvjetanovic Enterprises Pty Ltd	446,680
Constantine J Christofides & Constantine A Christofides & Arthur C Christofides & John Constantine Christofides (Christofides Bros Trust A/C)	446,536
Ochquasy Pty Limited	431,235
David Richard Vivian Cox	410,190

'M' class shareholders

<u>Shareholder</u>	<u>Number of Shares</u>
CSR Limited	48,324,003
Bundaberg Sugar Ltd	26,828,437
Mackay Sugar Co-operative Association Limited	26,064,452
Tully Sugar Limited	6,016,179
Proserpine Co-operative Sugar Milling Association Limited	5,986,952
The Mulgrave Central Mill Company Limited	5,827,071
Isis Central Sugar Mill Co Ltd	4,085,698
Mossman Central Mill Company Limited	3,678,770
The Maryborough Sugar Factory Limited	2,270,124
W H Heck & Sons Pty Limited	1,570,111

Proceedings on behalf of company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.


Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

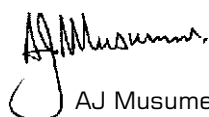
Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of the directors.



MD Brown
Brisbane
9 September 2004



AJ Musumeci
Brisbane
9 September 2004

Financial report – 30 JUNE 2004

Contents	Page
Financial report – 30 JUNE 2004	
Statement of financial performance.....	13
Statement of financial position.....	14
Statement of cash flows	15
Directors' declaration	35
Independent audit report to the members of Sugar Terminals Limited	36

Sugar Terminals Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Sugar Terminals Limited
North Podium Level, Mincom Central
192 Ann Street
BRISBANE QLD 4000

A description of the nature of the entity's operations and its principal activities is included in the review of operations and activities on pages 6–7 in the directors' report which is not part of this financial report.

SUGAR TERMINALS LIMITED

Statement of financial performance

For the year ended 30 JUNE 2004

	Notes	2004 \$'000	2003 \$'000
Revenue from ordinary activities	3	39,982	33,254
Depreciation and amortisation expenses	4	10,468	9,869
Professional fees expense		299	252
Insurance expense		1,215	1,033
Borrowing costs expense	4	3,059	711
Other expenses from ordinary activities		712	621
Profit from ordinary activities before related income tax expense		24,229	20,768
Income tax expense	5	7,416	6,378
Net profit attributable to members of Sugar Terminals Limited	18	16,813	14,390
Total changes in equity attributable to members of Sugar Terminals Limited other than those resulting from transactions with owners as owners		16,813	14,390
		Cents	Cents
Basic earnings per share	29	4.67	3.99

The above statement of financial performance should be read in conjunction with the accompanying notes.

SUGAR TERMINALS LIMITED

Statement of financial position

As at 30 JUNE 2004

	Notes	2004 \$'000	2003 \$'000
Current assets			
Cash assets	6	11,140	2,751
Receivables	7	143	3,512
Deferred tax assets	10	11	43
Other	8	778	35
Total current assets		12,072	6,341
Non-current assets			
Property, plant and equipment	9	392,903	385,422
Other	11	283	301
Total non-current assets		393,186	385,723
Total assets		405,258	392,064
Current liabilities			
Payables	12	6,898	4,386
Interest bearing liabilities	13	11,250	-
Current tax liabilities	14	2,090	2,982
Total current liabilities		20,238	7,368
Non-current liabilities			
Interest bearing liabilities	15	33,750	36,600
Deferred tax liabilities	16	4,157	3,396
Total non-current liabilities		37,907	39,996
Total liabilities		58,145	47,364
Net assets		347,113	344,700
Equity			
Parent entity interest			
Contributed equity	17	330,228	330,228
Retained profits	18	16,885	14,472
Total equity	19	347,113	344,700

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of cash flows

For the year ended 30 JUNE 2004

	Notes	2004 \$'000	2003 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		43,618	35,342
Payments to suppliers and employees (inclusive of goods and services tax)		(2,100)	(8,700)
		41,518	26,642
Interest received		315	2,175
Borrowing costs		(3,759)	(402)
Income taxes and GST paid		(9,137)	(7,181)
Net cash inflow from operating activities	28	28,937	21,234
Cash flows from investing activities			
Payments for property, plant and equipment		(14,571)	(52,632)
Proceeds from sale of property, plant and equipment		23	2
Net cash inflow (outflow) from investing activities		(14,548)	(52,630)
Cash flows from financing activities			
Proceeds from borrowings		8,400	36,600
Payments for return of capital		-	(39,600)
Dividends paid		(14,400)	(14,400)
Net cash inflow (outflow) from financing activities		(6,000)	(17,400)
Net increase (decrease) in cash held		(8,389)	(48,796)
Cash at the beginning of the financial year		2,751	51,547
Cash at the end of the financial year	6	11,140	2,751

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the year ended 30 JUNE 2004

Note	Contents	Page
Note 1	Summary of significant accounting policies.....	17
Note 2	Segment information.....	21
Note 3	Revenue.....	21
Note 4	Profit from ordinary activities	22
Note 5	Income tax	22
Note 6	Current assets – Cash assets	23
Note 7	Current assets – Receivables	23
Note 8	Current assets – Other.....	23
Note 9	Non-current assets – Property, plant and equipment.....	24
Note 10	Non-current assets – Deferred tax assets	25
Note 11	Non-current assets – Other	25
Note 12	Current liabilities – Payables	25
Note 13	Current liabilities – Interest bearing liabilities.....	25
Note 14	Current liabilities – Current tax liabilities	25
Note 15	Non-current liabilities – Interest bearing liabilities	26
Note 16	Non-current liabilities – Deferred tax liabilities	26
Note 17	Contributed equity.....	27
Note 18	Reserves and retained profits.....	27
Note 19	Equity.....	27
Note 20	Dividends	28
Note 21	Financial instruments.....	29
Note 22	Director and executive disclosures	30
Note 23	Remuneration of auditors	32
Note 24	Contingent liabilities and contingent assets	33
Note 25	Commitments for expenditure.....	33
Note 26	Related parties.....	33
Note 27	Events occurring after reporting date	33
Note 28	Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities.....	34
Note 29	Earnings per share	34
Note 30	Economic Dependency.....	34

Notes to the financial statements (continued)

Note 1 Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(a) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(b) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(c) Revenue recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

Interest revenue is recognised on a proportional basis taking into account the interest rate applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement in no more than 30 days.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

Notes to the financial statements (continued)

Note 1 Summary of significant accounting policies (continued)

(e) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market-determined, risk-adjusted discount rate.

(f) Revaluations of non-current assets

Subsequent to initial recognition as assets, land and buildings are measured at fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of land and each building does not differ materially from its fair value at the reporting date.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Potential capital gains tax is not taken into account in determining revaluation amounts unless it is expected that a liability for such tax will crystallise.

Revaluations do not result in the carrying value of land or buildings exceeding their recoverable amount.

(g) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land and investment properties) over its expected useful life to the entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Plant and equipment 7 – 80 years

(h) Non-current assets constructed by entity

The cost of non-current assets constructed by the entity includes the cost of all materials used in construction, direct labour on the project, borrowing costs incurred during construction and an appropriate proportion of variable and fixed overheads.

Borrowing costs included in the cost of non-current assets are those costs that would have been avoided if the expenditure on the construction of the assets had not been made. Borrowing costs incurred while active construction is interrupted for extended periods are recognised as expenses.

(i) Trade and other creditors

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Notes to the financial statements (continued)

Note 1 Summary of significant accounting policies (continued)

(j) Interest bearing liabilities

Loans and debentures are carried at their principal amounts that represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(k) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

(l) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(m) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets – refer notes 1(h).

Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings, including amounts paid or received on interest rate swaps
- amortisation of discounts or premiums relating to borrowings
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings
- finance lease charges, and
- certain exchange differences arising from foreign currency borrowings.

(n) Cash

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(o) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Notes to the financial statements (continued)

Note 1 Summary of significant accounting policies (continued)

(p) International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The entity has appointed the General Manager to manage the transition to Australian equivalents to IFRS, including internal control changes necessary to gather all the required financial information. The General Manager reports quarterly to the audit committee. A detailed timetable for managing the transition has been prepared and is currently on schedule. He has analysed most of the Australian equivalents to IFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Pending Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. Some of these choices are still being analysed to determine the most appropriate accounting policy for the entity.

Major changes identified to date that will be required to the entity's existing accounting policies include the following:

(i) Income Tax

Under the Australian equivalent to IAS 12 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

(ii) Investment properties

Under the Australian equivalent to IAS 40 *Investment Property*, if investment properties are measured at fair value, net of applicable tax, gains or losses arising from changes in fair value are recognised in net profit or loss for the period in which they arise.

(iii) Impairment testing

The main aim of the Australian equivalent of IAS 36 *Impairment of Assets* (i.e. AASB 1036 *Impairment of Assets*), is to ensure that assets are recorded at their recoverable amount or below. The recoverable amount is the higher of the fair value less costs to sell and value in use. The value in use is the present value of future cash flows expected to be derived from an asset or cash generating unit.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the entity's financial position and reported results.

Notes to the financial statements (continued)

Note 1 Summary of significant accounting policies (continued)

(q) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Note 2 Segment information

Business segments

The entity operates in one industry , being the sugar industry and in one geographical segment, being Queensland, Australia.

Note 3 Revenue

	2004	2003
	\$'000	\$'000
Revenue from operating activities		
Rental revenue	39,659	32,441
	39,659	32,441
Revenue from outside the operating activities		
Interest	315	811
Sale of non-current assets	-	2
Other Revenue	8	-
	323	813
Revenue from ordinary activities	39,982	33,254

Notes to the financial statements (continued)

Note 4 Profit from ordinary activities

	2004 \$'000	2003 \$'000
Net gains and expenses		
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:		
Expenses		
Depreciation		
Plant and equipment	10,468	9,869
Total depreciation	10,468	9,869
Borrowing costs		
Amount capitalised at 1 July 2003	301	-
Interest and finance charges paid/payable	3,041	1,012
Amount capitalised at 30 June 2004	(283)	(301)
Borrowing costs expensed	3,059	711
Net loss on disposal of property, plant and equipment	176	14
Defined contributions superannuation expense	15	8

Note 5 Income tax

	2004 \$'000	2003 \$'000
Income tax expense		
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:		
Profit from ordinary activities before income tax expense	24,229	20,768
Income tax calculated @ 30% (2003 – 30%)	7,269	6,231
Tax effect of permanent differences:		
Non-deductible depreciation and amortisation	152	152
Sundry items	(5)	(5)
Income tax adjusted for permanent differences	7,416	6,378
Under (over) provision in previous year	-	-
Aggregate income tax expense	7,416	6,378
Aggregate income tax expense comprises:		
Current taxation provision	6,623	6,028
Deferred income tax provision	798	356
Future income tax benefit	(5)	(6)
Under (over) provision in prior year	-	-
	7,416	6,378

Notes to the financial statements (continued)

Note 6 Current assets – Cash assets

	2004	2003
	\$'000	\$'000
Cash at bank and on hand	11,140	2,751
Deposits at call	-	-
	11,140	2,751

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	11,140	2,751
Balances per statement of cash flows	11,140	2,751

Note 7 Current assets – Receivables

	2004	2003
	\$'000	\$'000
Trade debtors	9	3,036
GST refundable	-	425
Other debtors	134	51
	143	3,512

Note 8 Current assets – Other

	2004	2003
	\$'000	\$'000
Prepayments	778	35
	778	35

Notes to the financial statements (continued)

Note 9 Non-current assets – Property, plant and equipment

	2004 \$'000	2003 \$'000
Land		
Freehold land at independent valuation	16,975	16,975
Total land	16,975	16,975
Buildings, Plant and equipment		
At cost	414,880	343,974
Less: Accumulated depreciation	(39,027)	(28,668)
Total plant and equipment	375,853	315,306
Capital Works in Progress	75	53,141
	392,903	385,422

Valuations of land and buildings

The basis of valuation of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Freehold land \$'000	Buildings Plant and equipment \$'000	In Course of construction \$'000	Total \$'000
Carrying amount at 1 July 2003	16,975	315,306	53,141	385,422
Additions	-	915	17,233	18,148
Disposals	-	(199)	-	(199)
Transfers	-	70,299	(70,299)	-
Depreciation/amortisation expense (note 4)	-	(10,468)	-	(10,468)
Carrying amount at 30 June 2004	16,975	375,853	75	392,903

Notes to the financial statements (continued)

Note 10 Non-current assets – Deferred tax assets

	2004	2003
	\$'000	\$'000
Future income tax benefit	11	43

Note 11 Non-current assets – Other

	2004	2003
	\$'000	\$'000
Borrowing costs	283	301

Note 12 Current liabilities – payables

	2004	2003
	\$'000	\$'000
Trade creditors	526	1,689
Deferred income	-	2,686
Other creditors	6,372	11
	6,898	4,386

Note 13 Current liabilities – Interest bearing liabilities

	2004	2003
	\$'000	\$'000
Secured		
Bills payable	11,250	-
	11,250	-

Bills payable

Bills have been drawn in terms of a bank Facility Agreement which retires in June 2008.

Details of securities and further information on the facility are set out in note 15.

The current interest rate is 6.725%.

Note 14 Current liabilities – Current tax liabilities

	2004	2003
	\$'000	\$'000
Income tax	1,800	2,982
GST	273	-
PAYG	17	-
	2,090	2,982

Notes to the financial statements (continued)

Note 15 Non-current liabilities – Interest bearing liabilities

	2004 \$'000	2003 \$'000
Bank Bill Facility		
Total facility	45,000	45,000
Unused at balance date	-	8,400
Used at balance date	45,000	36,600
Repayable within 12 months	11,250	-
	33,750	36,600

The bank bill facility is secured by

- Mortgages of leases of areas A and B land at Townsville.
- Fixed charge.
- Fixed and floating charge over all of the company's assets and undertaking.

The current interest rate is 6.725% (2003 – 5.78%).

Note 16 Non-current liabilities – Deferred tax liabilities

	2004 \$'000	2003 \$'000
Provision for deferred income tax	4,157	3,396

Notes to the financial statements (continued)

Note 17 Contributed equity

	2004	2003
	\$'000	\$'000
Share capital		
Ordinary shares		
Fully paid	330,228	330,228
(b) Movements in ordinary share capital		
	2004	2003
	\$'000	\$'000
Opening balance	330,228	369,828
Return of share capital	-	(39,600)
Balance	330,228	330,228

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

At 30 June 2004 there were 360 million ordinary shares fully paid, consisting of:

"G" class ordinary shares	229,348,203
"M" class ordinary shares	130,651,797
	<u>360,000,000</u>

Note 18 Reserves and retained profits

	2004	2003
	\$'000	\$'000
Retained profits		
Retained profits at the beginning of the financial year	14,472	82
Net profit attributable to members of Sugar Terminals Limited	16,813	14,390
Dividends provided for or paid	(14,400)	-
Retained profits at the end of the financial year	16,885	14,472

Note 19 Equity

	2004	2003
	\$'000	\$'000
Total equity at the beginning of the financial year	344,700	369,910
Total changes in equity recognised in the statement of financial performance	16,813	14,390
Transactions with owners as owners:		
Return of capital	-	(39,600)
Dividends paid	(14,400)	-
Total equity at the end of the financial year	347,113	344,700

Notes to the financial statements (continued)

Note 20 Dividends

	2004 \$'000	2003 \$'000
Ordinary shares		
Final dividend for the year ended 30 June 2003 of 4 cents (2003 – 4 cents) per share paid on 18 December 2003.		
Fully franked based on tax paid @ 30%	14,400	-

Dividends not recognised at year end

In addition to the above dividends, since year end the directors have determined that a final dividend of two cents per fully paid ordinary share will be paid, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid is \$7.2 million out of retained profits at 30 June 2004, but is not recognised as a liability at year end.

Franked dividends

The franked portions of the final dividends recommended after 30 June 2004 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2005.

Franking credits available for subsequent financial years based on a tax rate of 30% (2003 – 30%)	4,441,731	3,990,566
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The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the current tax liability
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and
- (d) franking credits that may be prevented from being distributed in subsequent financial years.

The amounts include franking credits that would be available to the entity if distributable profits of the entity were paid as dividends.

Notes to the financial statements (continued)

Note 21 Financial instruments**Interest rate risk exposures****2004**

	Floating interest rate \$'000	Fixed interest maturing in: 1 year or less \$'000	Over 1 to 5 years \$'000	Non- interest bearing \$'000	Total \$'000
Financial assets					
Cash and deposits	11,140	-	-	-	11,140
Receivables	-	-	-	143	143
	11,140	-	-	143	11,283

Weighted average interest rate 5.00%

Financial liabilities

Trade and other creditors	-	-	-	6,898	6,898
Bills payable	11,250	8,437	25,313	-	45,000
	11,250	8,437	25,313	6,898	51,898

Weighted average interest rate 6.53% 6.79% 6.79%

Net financial assets (liabilities) (110) (8,437) (25,313) (6,755) (40,615)

2003

	Floating interest rate \$'000	Fixed interest maturing in: 1 year or less \$'000	Over 1 to 5 years	Non- interest bearing \$'000	Total \$'000
Financial assets					
Cash and deposits	2,751	-	-	-	2,751
Receivables	-	-	-	3,512	3,512
	2,751	-	-	3,512	6,263

Weighted average interest rate 4.00%

Financial liabilities

Trade and other creditors	-	-	-	4,386	4,386
Bills payable	36,600	-	-	-	36,600
	36,600	-	-	4,386	40,986

Weighted average interest rate 5.78%

Net financial assets (liabilities) (33,849) - - (874) (34,723)

Net fair value of financial assets and liabilities**On-balance sheet**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the entity approximates their carrying amounts.

Notes to the financial statements (continued)

Note 22 Director and executive disclosures

Directors

The following persons were directors of Sugar Terminals Limited during the financial year:

Chairman – non-executive

M D Brown

Non-executive directors

M R Day

S Guazzo

J J Grasso

W A Martin

A J Musumeci

J Grasso was elected a non-executive director on 24 October 2003. W A Martin resigned from the position of non-executive director on 24 October 2003.

Executives (other than directors) with the greatest authority for strategic direction and management

The entity has only one executive:

Name	Position
R B Farquhar	General Manager and Company Secretary
J A Desmarchelier	General Manager and Company Secretary

R B Farquhar commenced employment with the entity on 1 November 2003 in place of J A Desmarchelier who resigned on 31 October 2003.

Remuneration of directors and executives

Principles used to determine the nature and amount of remuneration

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency
- capital management.

In consultation with external remuneration consultants, the company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board.

Notes to the financial statements (continued)

Note 22 Director and executive disclosures (continued)

Directors' fees

The current base remuneration was last reviewed with effect from 1 July 2003, and has not been increased since 2000.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum aggregate amount currently stands at \$200,000.

Executive pay

The executive pay and reward framework has two components:

- base pay and benefits
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Base pay

The executive is offered a competitive base pay that comprises a fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay is reviewed annually to ensure the executive's pay is competitive with the market. There are no guaranteed base pay increases fixed in the executive's contract.

Benefits

The executive receives a car parking benefit.

Details of remuneration

Details of the remuneration of each director of Sugar Terminals Holdings Limited and the only executive, are set out in the following tables.

Directors of Sugar Terminals Ltd

	Primary	Post-Employment	Equity	
Name	Cash fees \$	Superannuation \$	\$	Total \$
MD Brown	55,000	4,950	-	59,950
WA Martin	6,304	567	-	6,871
AJ Musumeci	20,000	-	-	20,000
MR Day	20,000	-	-	20,000
S Guazzo	20,000	1,800	-	21,800
JJ Grasso	13,696	1,233	-	14,929
Total	135,000	8,550		143,550

Total remuneration of directors of Sugar Terminals Limited for the year ended 30 June 2003 is set out below. Information for individual directors is not shown as this is the first financial report prepared since the issue of AASB 1046 *Director and Executive Disclosures by Disclosing Entities*.

2003	Primary	Post-Employment		Equity	
Name	Cash fees \$	Super-annuation \$	Retirement benefits \$	\$	Total \$
Total	135,000	8,550	8,032	-	151,082

SUGAR TERMINALS LIMITED

Notes to the financial statements (continued)

Note 22 Director and executive disclosures (continued)

Executive of Sugar Terminals Ltd

2004	Primary	Post-Employment	Equity	
Name	Cash fees	Superannuation		Total
	\$	\$	\$	\$
RB Farquhar	70,790	6,371	-	77,163

There was no remuneration of specified executives for the year ended 30 June 2003.

Service agreements

Directors are elected for a term of three years and do not have service agreements.

Other transactions

WA Martin is a director of Queensland Sugar Limited. During the reporting period Queensland Sugar Limited operated under the terms of a sub-lease from Sugar Terminals Limited so that Queensland Sugar Limited can utilise the sugar terminals for storage and loading of products and for such other purposes to which Sugar Terminals Limited consents and which are permitted under the terminal lease arrangement which Sugar Terminals Limited has in respect to each of the Port Authorities. In return Sugar Terminals Limited receives rent. The sub-lease is based on normal commercial terms and conditions.

Mr AJ Musumeci is also a director of Australian Sugar Milling Council Pty Limited. Australian Sugar Milling Council Pty Limited provides administrative, secretarial and management services to Sugar Terminals Limited. Under the terms of the arrangement provision of these services has been extended to 30 June 2005. The services are provided on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with directors and their director-related entities:

	2004 \$'000	2003 \$'000
Rent received from Queensland Sugar Limited	39,659	32,441
Services provided by Australia Sugar Milling Council Pty Limited.	148	195

Note 23 Remuneration of auditors

	2004 \$	2003 \$
During the year the auditor of the entity and its related practices earned the following remuneration:		
PricewaterhouseCoopers – Australian firm		
Audit or review of financial reports and other audit work under the Corporations Act 2001.	37,200	32,000
Other services	18,150	42,705
Total remuneration	55,350	74,705

Notes to the financial statements (continued)

Note 24 Contingent liabilities and contingent assets**Contingent liabilities**

The entity had a contingent liability at 30 June 2004 relating to the construction of the new storage facility at Townsville. The construction project, which is being managed by Queensland Sugar Ltd (QSL) as agent for the entity, is incomplete and a Notice of Dispute claiming \$18.4m has been received from the building contractor.

This claim is denied by the entity and, to date, the dispute has not been resolved.

QSL is managing the dispute and, at this time, it is not practicable to estimate the timing or the quantum, if any, of any future liability.

Note 25 Commitments for expenditure

	2004	2003
	\$'000	\$'000
Capital commitments		
Commitments for the acquisition of plant and equipment Contracted for at the reporting date but not recognised as Liabilities, payable:		
Within one year	-	12,462
Later than one year but not later than 5 years	-	-
Later than 5 years	-	-
	<u> </u>	<u> </u>
		<u>12,462</u>

The above commitments do not include capital expenditure commitments, if any, relating to the settlement of the dispute in relation to the construction of the additional facility at the Townsville terminal.

Note 26 Related parties**Directors and specified executives**

Disclosures relating to directors and specified executives are set out in note 22.

Transactions of directors and director-related entities concerning shares or share options

Aggregate numbers of shares and share options of Sugar Terminals Limited held directly, indirectly or beneficially by directors of the company or the entity or their director-related entities at balance date:

	2004	2003
	Number	Number
Ordinary shares	663,510	154,046

Note 27 Events occurring after reporting date

There were no significant events occurring after reporting date.

SUGAR TERMINALS LIMITED

Notes to the financial statements (continued)

Note 28 Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	2004 \$'000	2003 \$'000
Profit from ordinary activities after related income tax	16,813	14,390
Depreciation and amortisation	10,468	9,869
Net loss (gain) on sale of non-current assets	176	14
Decrease (increase) in receivables	2,944	(2,028)
Decrease (increase) in prepayments	(743)	(18)
Decrease (increase) in future income tax benefit	32	(5)
Decrease (increase) in other operating assets	18	(301)
Increase (decrease) in trade creditors and accruals	(2,641)	110
Increase (decrease) in provision for income taxes and GST payable	1,109	(1,152)
Increase (decrease) in provision for deferred income tax	761	355
Net cash inflow from operating activities	28,937	21,234

Note 29 Earnings per share

	2004 Cents	2003 Cents
Basic earnings per share	4.67	3.99

	2004 Number	2003 Number
Weighted average number of shares used as the denominator	360,000,000	360,000,000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and alternative basic earnings per share	360,000,000	360,000,000

	2004 \$'000	2003 \$'000
Reconciliations of earnings used in calculating earnings per share		
Net profit for the year (Note 18)	16,813	14,390
Earnings used in calculating basic earnings per share	16,813	14,390

Note 30 Economic Dependency

The entity depends on Queensland Sugar Limited (QSL) for most of its revenue. During the year ended 30 June 2004, 99.2% (2003 – 97.5%) of the entity's revenue was sourced from QSL under the entity's sublease agreement with that company.

Directors' declaration

The directors declare that the financial statements and notes set out on pages 12 to 34

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's financial position as at 30 June 2004 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

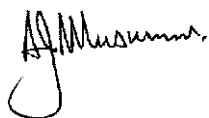
In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



MD Brown
Director
Brisbane
9 September 2004



AJ Musumeci
Director
Brisbane
9 September 2004

Independent audit report to the members of Sugar Terminals Limited

Audit opinion

In our opinion, the financial report of Sugar Terminal Limited:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Sugar Terminals Limited as at 30 June 2004, and of its performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Sugar Terminals Limited, for the year ended 30 June 2004.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers



Robert J Roach
Partner
Brisbane
9 September 2004

Information for Shareholders

Annual General Meeting

The Annual General meeting of Sugar Terminals Limited will be held on Friday, 22 October 2004 at:

King George Room,
Carlton Crest Hotel,
King George Square,
Brisbane Qld 4000
Commencing at 10:00am.

Newcastle Stock Exchange

The exempt stock market for 'G' class shares, previously operated by ABN AMRO Morgans closed on 25 February 2004. On 26 February 2004, STL's 'G' class shares were listed on the Newcastle Stock Exchange (NSX). The NSX is a fully regulated main board stock exchange being Australia's second official stock exchange approved under the Corporations Act. The NSX market provides a facility for trading securities with special requirements, as only active cane growers can hold 'G' class shares.

To buy or sell 'G' class shares an order is placed with a stockbroker of the Newcastle Stock Exchange. Buyers will still be required to lodge a declaration of their active grower status when placing their order. A full list of the stockbrokers of the Newcastle Stock Exchange can be obtained from the Exchange's website www.newsx.com.au. ABN AMRO Morgans, who operated the exempt market for STL, is a stockbroker of the Newcastle Stock Exchange and shareholders can continue to buy or sell their 'G' class shares through ABN AMRO Morgans.

Share Registry

There is no cost to the shareholders to have their name and number of shares listed on the register. Shareholders may contact the share registry ASX Perpetual Registrars for all details about their shareholdings by telephoning (07) 3228 4219 or writing to:

Sugar Terminals Limited Share Registry
C/- ASX Perpetual Registrars
GPO Box 2537
Brisbane Qld 4001
Fax: (07) 3221 3149

Change of Address

To notify the company of change of address details, shareholders should immediately forward a signed letter quoting their shareholder number and detailing their new address to ASX Perpetual Registrars.

Change of Name

Shareholders who change their name should notify the company share registry in writing, attaching a certified copy of a relevant marriage certificate or deed poll.

Share Transfers

"G" class shares can be transferred only to "active growers" and "M" class shares can be transferred only to "active millers". The definitions of "active growers", "active millers", "inactive growers" and "inactive millers" are set out in the *Information for Shareholders* document sent to shareholders. A copy of the document has been posted on the company's web site.

A copy of a share transfer form and declaration may be obtained from ASX Perpetual Registrars. The executed share transfer documentation, together with a declaration from the transferee that the transferee is an active grower or active miller, should be forwarded to ASX Perpetual Registrars for processing. Since the shares were listed on the Newcastle Stock Exchange, it is no longer necessary to pay stamp duty on share transfers.

Inactive Grower or Miller Status

Under the Constitution of the company, members who become either "inactive growers" or "inactive millers" must immediately notify the company Directors in writing that they have become inactive and must dispose of their shares as soon as practicable. An "inactive grower" is one who has not been an "active grower" for two consecutive production seasons or part thereof. An "inactive miller" has not been an "active miller" for two consecutive production seasons or part thereof.

Registered Office

Sugar Terminals Limited
North Podium Level
192 Ann Street
Brisbane Qld 4000

Postal Address

Sugar Terminals Limited
GPO Box 945
Brisbane Qld 4001
Telephone (07) 3221 7017
Facsimile (07) 3221 5593
Email: sugarterminals@powerup.com.au

Information for Shareholders (continued)

Share Registry

Sugar Terminals Limited Share Registry
C/- ASX Perpetual Registrars
Level 22/300 Queen Street, Brisbane
GPO Box 2537
Brisbane Qld 4001
Telephone (07) 3228 4219
Facsimile (07) 3221 3149

Web Site

Web site: www.sugarterminals.com.au

Solicitors

Clayton Utz
GPO Box 55
Brisbane Qld 4001

Auditors and Taxation Accountants

PricewaterhouseCoopers
GPO Box 150
Brisbane Qld 4001

Bankers

National Australia Bank
Capital Office
Ground Floor/308-322 Queen Street
Brisbane Qld 4000

Accountants

MHM Chartered Accountants
GPO Box 1108
Brisbane Qld 4001

Insurance Broker

Marsh Pty Ltd
GPO Box 2743
Brisbane Qld 4001

Notes

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